



# **ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM**

# **QUARTERLY REPORT**

**April 1, 2002 through June 30, 2002**

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SUBMITTED: AUGUST 2002**

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# Executive Summary

AHCCCS experienced an increase in enrollment by approximately 4.5% during the quarter.

The Agency has been quite busy in preparation of implementing the HIFA waiver. This waiver allows AHCCCS to cover certain parents of KidsCare and Medicaid eligible children.

The Office of the Director, Community Relations' Administrator, continued her collaboration with community to provide education on both Medicaid and KidsCare programs. Several internal partnerships were established for the purpose of reviewing procedure, in an effort to continually search for methods to improve both processes and outcomes.

The Office of Legal Assistance received a slight decrease in the cases received during the quarter. Notably, the Office of Program Integrity referred to the State's Attorney General's Office an investigation leading to the criminal conviction of a local area man.

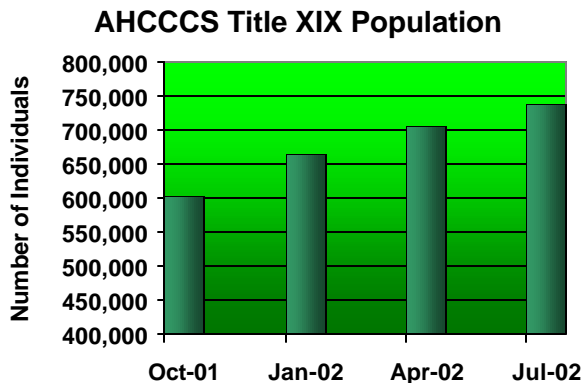
Many contracts were initiated, awarded, amended, or renewed. Many program, contract, and encounter reviews occurred or concluded during the quarter, and the results of these reviews will be reported on next quarter.

The Office of Medical Management (OMM) and the Arizona Department of Behavioral Health (ADBH) continued their work by convening an ad hoc committee to:

1. Develop a "collaborative - consultative model" for coordination of care between the Acute Care plan Primary Care Physicians (PCPs) and the behavioral health providers; and
2. Develop operating agreements and guidelines for determining clinical and reimbursement responsibility between the Acute Care plans and the behavioral health provider system.

Lastly, several workgroups, subcommittees, meetings and initiatives were formed or continued to meet in keeping with the Agency's commitment to quality and improvement.

## AHCCCS Population



On July 1, 2002, the AHCCCS Title XIX population totaled 738,556 members. This represents an increase of 4.5% over last quarter's enrollment figures. This number includes 703,891 individuals receiving Acute Care services and 34,665 members receiving Arizona Long Term Care System (ALTCS) services. Also included are 105,026 Native American members.

# New Developments

## Health Insurance Flexibility and Accountability (HIFA)

Arizona's HIFA waiver was approved in December of 2001.

In May 2002, AHCCCS established an interdivisional HIFA implementation team composed of the Director, Deputy Director, and Assistant Directors. This team has full authority and responsibility to develop a project implementation plan to fully implement the HIFA waiver.

Implementation of the waiver will be completed by January 1, 2003.

## Activities By Divisions

### Office of the Director

#### Community Relations

The Community Relations' Coordinator participated in 14 presentations and special events with community groups, organizations, providers and others. Some presentations were specific to one topic such as KidsCare or Medicare Cost Sharing while the majority covered all AHCCCS programs. Notable participants include:

- Asian American Health Forum;
- Gateway Community College Health Administration Class;
- Thomas J. Pappas Foundation - Homeless Advocates Conference;
- Foundation for Senior Living's "Un Descancito" workshop for monolingual seniors;
- Maricopa County Integrated Health Systems' Cervical and Breast Cancer Screening;
- Maricopa County Adult Probation Staff;
- City of Phoenix City Council;
- Arizona Academy of Pediatrics;
- Arizona Medical Equipment Association;
- Children's Action Alliance Quarterly Outreach Meeting;
- AARP Community Meetings in Sierra Vista, Arizona;
- AARP Community Meetings in Nogales, Arizona; and

- El Rio Community Health Center in Tucson.

Other collaborative relationships were developed with the following organizations:

- Senior Foundation For Living,
- Arizona Homebase Youth Services (Homeless Teens and Young Adults),
- Concilio Latino de Salud,
- Pinal Gila Behavioral Health Association,
- AARP,
- Family Center in Phoenix,
- Arizona Community Action Association, and
- Arizona Academy of Pediatrics.

### **Internal Partnership**

An AHCCCS Internal Education Workgroup was established to develop strategic partnerships within AHCCCS to:

- (1) Better address community education opportunities,
- (2) Develop an internal network to share ideas, materials, and education opportunities,
- (3) Improve education provided to the community, and
- (4) Develop protocols for the review of all materials developed by various divisions by the Public Information Officer.

In addition, the Education Group will identify:

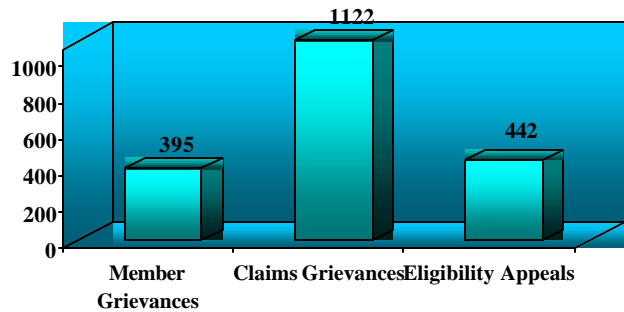
1. Staff that performs education for the agency;
2. What type of education (programmatically) the agency provides on a regular basis, i.e. ALTCS, KidsCare, etc.;
3. Audiences that the agency interacts with on a regular basis and those that we need to develop collaborative relationships;
4. Resources – staff; materials, brochures; audio visual equipment and resources that are needed;
5. Staff to participate in a agency speaker's bureau; and
6. Materials utilized; i.e. Power Point presentations, handouts, etc.

# Office of Legal Assistance

OLA received 1959 cases. Cases fell into one of three types: member grievances, claims grievances, and eligibility appeals. (Chart 1)

(Chart 1)

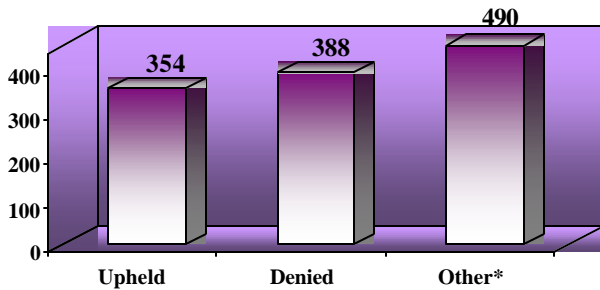
**OLA Cases Received  
Total 1959**



*\*No bases for  
grievance, Voluntary  
Withdrawals, etc.*

(Chart 2)

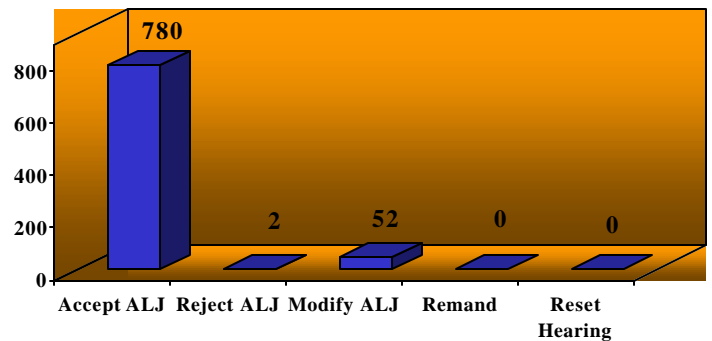
**Informal Decisions Issued  
Total 1232**



Over 69% of the cases filed involved grievances regarding claims. OLA resolved 1232 cases informally, eliminating the need for a formal hearing. (Chart 2)

(Chart 3)

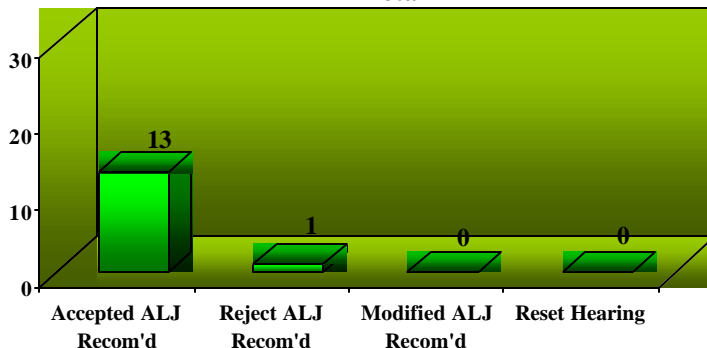
**Director's Decisions Issued  
Total 834**



The Director issued 834 decisions. The majority of these decisions concurred with the Arizona Law Judges' findings. (Chart 3)

(Chart 4)

**Final Decisions Issued  
Total 14**



A total of 14 Final Decisions were issued. (Chart 4)

## **Office of Program Integrity**

### **Criminal Conviction**

A case investigation initiated by the Office of Program Integrity (OPI) and referred to the Attorney General's Office has resulted in a criminal conviction. On June 26, 2002, David Aguilar, a 27-year old Phoenix resident and owner of a non-emergency transportation company, was sentenced to five years in Arizona State Prison and ordered to pay \$34,652.41 in restitution to AHCCCS. Aguilar pleaded guilty to one count of using fraudulent schemes and artifices, a class two felony. In December 2001, a Maricopa County Grand Jury indicted Aguilar stating that between February 2, 2000 and January 27, 2001, Aguilar, pursuant to a scheme or artifice to defraud, knowingly obtained a benefit by means of false or fraudulent pretenses, representations, promises, or material omissions. During the same period he was accused of knowingly obtaining property or services from Mercy Care Plan by means of material misrepresentations. These charges resulted from the submission of fraudulent claim forms. Aguilar was terminated as an AHCCCS provider over one year ago after he failed to cooperate with an OPI request for documentation related to his AHCCCS billings.

### **Contractor Visits**

In May and June, OPI visited seven AHCCCS contractors on-site to discuss the development of formal compliance programs. Compliance programs are mandated by the new CMS managed care rule. It was encouraging to learn that, although practices and approaches varied, the seven contractors had established the essential elements of a compliance program. In light of the new requirements and to promote development of effective compliance programs over the next year, OPI will be working with OMC to strengthen contract provisions and to revise the AHCCCS fraud and abuse policy.

### **Medicare Outpatient Prospective Payment System**

During the quarter, OPI hosted a fraud and abuse work group meeting that focused on the Medicare Outpatient Prospective Payment System (OPPS). A representative from Blue Cross and Blue Shield of Arizona, the Medicare Part A Intermediary, provided information on the OPPS and how it has changed Medicare billings for outpatient services. The purpose of the presentation was to explore the OPPS from a fraud and abuse perspective, and to gain a better understanding as to how the new Medicare billing system may be impacting AHCCCS health plans and program contractors.

## **Office of Managed Care**

### **ALTCS Operational and Financial Reviews**

The ALTCS Review Team continued the Calendar Year Ending (CYE) 2002 Operational and Financial Reviews (OFRs) initiated in the first quarter. Three program contractors were reviewed. Two reviews, which were conducted last quarter, were finalized. One review remains to be completed in September 2002.

### **Contract Renewals**

The draft CYE 2003 EPD (Elderly and Physically Disabled) for the 7 statewide program contractors and DDD (Division of Developmentally Disabled) contract renewals were developed.

These renewal documents will be sent to the program contractors in July 2002. There were minor changes throughout the draft documents.

### **Operational and Financial Reviews**

OFRs of Acute Care contractors continued this quarter. During the quarter, OMC, in conjunction with the OMM, conducted reviews at University Family Care, Mercy Care Plan, and Phoenix Health Plan. OFRs for the remaining health plans will continue throughout the next two quarters.

### **Operational and Financial Reviews of Contractors**

AHCCCS' Office of Managed Care/Behavioral Health Unit (OMC/BHU) participated in OFRs for the six contractors scheduled during the reporting period.

The behavioral health portion of the OFRs utilized review tools based on contract standards that were developed for both Acute Care and ALTCS contractors.

The review tool for Acute Care contractors included the following behavioral health related content areas:

- ♦ Early and Periodic Screening, Diagnosis and Treatment (EPSDT) and behavioral health screening and follow-up,
- ♦ Behavioral health policies and procedures,
- ♦ Coordination of care with behavioral health providers,
- ♦ Communication with members (e.g., member handbooks), and



- ♦ Primary Care Providers' (PCPs) medical management of behavioral health disorders.

The review tool for ALTCS contracts included the following content areas:

- ♦ Adequacy of the behavioral health provider network;
- ♦ EPSDT and behavioral health screening and follow-up; and
- ♦ Quality of behavioral health care.

The BHU will continue to participate in the OFR process of AHCCCS' contractors through the next report period.

### **Integration of Care Workgroup and Subcommittee Activities**

#### *Workgroup*

As noted in the prior quarter report, OMC/BHU and OMM met on February 8, 2002 with representatives from the Acute Care Health Plans and Arizona Department of Health Services-Department of Behavioral Health Services (ADHS/DBHS). The purpose of this meeting was to identify opportunities for collaborative problem resolution and strategic performance improvement initiatives, in the coordination of care between the Acute Care health plans and providers, and the carve-out behavioral health contractor and providers. The group identified the following major areas as priorities for collaboration:

1. Data sharing;
2. Review and evaluation of the Psychotropic Medication Initiative; and
3. Development of guidelines for management of complex medical and behavioral health problems with shared members.

The *Psychotropic Medication Initiative Subcommittee* prioritized and began addressing the following areas:

- ♦ AHCCCS generated psychotropic medication utilization reports, with an emphasis on identifying those members who appeared to be receiving same class medications from both the PCPs and the behavioral health providers;
- ♦ Development of protocols for access to, and utilization of, consultation services provided by behavioral health providers to PCPs; and
- ♦ Strategies for continued education of PCPs and behavioral health providers on the guiding principles for the Psychiatric Medication Initiative that allows PCPs, within their scope of practice and comfort level, to treat mild depression, anxiety and attention deficit disorders.

The *Policy Subcommittee* prioritized and began addressing the following two areas:

1. Development of a “collaborative - consultative model” for coordination of care between the Acute Care plan PCPS and the behavioral health providers; and
2. Development of operating agreements and guidelines for determining clinical and reimbursement responsibility between the Acute Care plans and the behavioral health provider system.

These agreements and guidelines were developed for members with conditions that involve both physical and behavioral medicine components (e.g. eating disorders, pain management, neuropsychological testing, pregnant substance abusers, etc.).

### **ALTCS' Behavioral Health Ad Hoc Committee**

OMC, OMM, and the Division of Member Services, convened an ad hoc committee to study the profiles and patterns of referrals of members transferring from the Acute Care system and receiving behavioral health services through the ADHS/DBHS (the behavioral health carve-out contractor) to the ALTCS. The goals of the ad hoc committee are to:

- ♦ Review the profiles of ALTCS eligible members who present with a significant history of behavioral health problems, services and needs in addition to medical management needs,
- ♦ Work collaboratively with, and provide technical assistance and support to, the ALTCS program contractors in identifying contractor challenges in managing these members, training, service, and network needs and/or gaps, and
- ♦ Continue to facilitate development of enhanced processes for the transition of members from the Acute Care system to the ALTCS system of care.

The committee met throughout the quarter to: gather and analyze data, engage all relevant stakeholders in defining and clarifying issues, and provide training to key constituents on the ALTCS program as well as eligibility criteria and processes.

The committee will draft a report of their findings and recommendations to be presented to management during this next report period.

### **Collaboration with ADHS/DBHS on Focused Projects & Initiatives**

OMC/BHU staff participated with ADHS and Regional Behavioral Health Administration (RHBA) representatives in the following initiatives:

Development of Strengths Based Model for Child and Adolescent Assessment to be piloted in the Maricopa County RBHA with the ultimate goal of roll-out throughout the state;

Development of a child and adolescent psychopharmacology policy and guidelines; and

Development of community placement options for members with extremely challenging profiles who require intensive and specialized behavioral management services.

### **Transition from Arizona State Hospital to Arizona Long Term Care System**

OMC/BHU and OMC/ALTCS Units have continued to work with the Long Term Care Contractors and the Arizona State Hospital to develop appropriate discharge plans and community placement options for discharge-ready patients.

### **Encounter Validation Study**

The Contract Year 1998/1999 Encounter Data Validation Study was sent to CMS this quarter. Two contractors challenged the results and OMC amended the study as appropriate and finalized the study.

For the Acute and Behavioral Health Program, the comparison of medical records to encounters continued during this quarter for the Contract Year 1999/2000 Encounter Data Validation Study. It is expected that preliminary results will be sent to contractors for feedback during the next quarter.

### **Encounter Operations**

Encounter and report transmissions between AHCCCS and contractors continue via File Transfer Protocol (FTP). Contractors are pleased that data is transmitted via FTP and it is convenient to their schedule. Another project in the initial stages of development will allow encounters to be processed more frequently than once per month. This project will permit encounter processing to occur at contractor convenience, e.g., following claims adjudication cycles. Additional information will be available following project development.

### **National Meetings**

Staff participated in several telephone conference calls regarding Health Insurance and Portability and Accountability Act (HIPAA) implementation and related issues. In addition, AHCCCS was present at the 2002 National Medicaid HIPAA and Medicaid Management Information System Conference. Staff is expected to continue participating in these calls and future meetings.

### **Ratesetting**

Critical Access Hospital payments and Graduate Medical Education payments were made for FY2002.

Analyses of the allocation of the Disproportionate Share Hospital (DSH) payments for FFY 2002 were performed this quarter, and will continue next quarter.

## **Federally Qualified Health Center (FQHC) Prospective Payment System (PPS) Reconciliation**

AHCCCS contracted with Myers and Stauffer LC to develop a Prospective Payment System (PPS) rate for each FQHC for Title XIX services provided on or after January 1, 2001. The rate was calculated in accordance with section 1902(a)(15)(c) of the Social Security Act. AHCCCS completed a reconciliation for the period of January 1, 2001 through September 30, 2001 using encounter and reimbursement data submitted by each FQHC. The net amount of the reconciliation was a pay-out to the FQHCs of \$2,402,683. The total pay-out represents payments made to those FQHCs whose PPS value per encounter exceeded the total of all monies received from the health plans and AHCCCS for fee-for-service and capitation. Distributions were made in May 2002.

## **Rate Adjustments**

Effective April 1, 2002, the Title XIX Waiver Group (TWG) prospective capitation rates were adjusted based on the actual enrollment mix October 1, 2001 through February 28, 2002. It was determined that the original enrollment projection for CYE 2002 would be met by April 2002, six months early. Using the actual enrollment data resulted in an overall 42% rate decrease.

The TWG Prior Period Coverage (PPC) capitation rates were also adjusted. It was determined that the proportionate risk of the non-Medical Expense Deduction (MED) PPC time period to the prospective time period is more similar to that of Temporary Assistance for Needy Families (TANF) members. The average adult TANF PPC rate is 75% of the prospective rate; therefore, the non-MED rate was reduced to 75% of the prospective rate. This resulted in an overall decrease to the PPC rate of 33%.

## **Cultural Competency Workgroup**

A workgroup comprised of health plan representatives and agency staff met to discuss issues that health plans have experienced while developing and implementing their cultural competency work plans. Guests from the Maricopa County Medical Interpreter Project and the International Rescue Committee also participated in the quarterly meeting. Information was presented regarding Spanish medical interpretation training and services and what obstacles cultural differences can present within the health care arena. Representatives have agreed to participate in this workgroup in an attempt to share ideas and strategies in providing culturally aware services to health plan members.

## Division of Business and Finance

### Contracts

During the period of April 1, 2002 through June 30, 2002, AHCCCS initiated, issued, awarded or amended the following contracts/agreements:

- Awarded a contract for Financial Audit Services to Miller Wagner CPA firm;
- Amended the behavioral health agreement with ADHS (YH8-0002) to update language in line with federal requirements;
- Awarded a new contract for Pediatric Liver Transplants to Children's Hospital and Health Center in San Diego to replace the gap in coverage created by the University Medical Center in Tucson when they dropped all pediatric liver transplants;
- Issued rate adjustment amendments for all ALTCS contracts;
- Issued a new solicitation for Transplant Consultant Services;
- Issued a renewal amendment for Arizona School Health Insurance Program, Inc.;
- Assisted in the drafting of a new intergovernmental agreement for case management services for the Hopi Tribe;
- Awarded a contract with Adams, Lee & Lynn Management Systems, LLC to assist with Business Continuity Planning;
- Initiated work for OMM for a non-emergency transport RFP; and
- Issued new request for response for immunization of two year olds for OMM.

During this same period, contracting activities continued on the following contracts, agreements or solicitations:

- The new intergovernmental agreement for Comprehensive Medical and Dental Program (CMDP) to Arizona Department of Economic Security (ADES) is awaiting signatures. ADES/CMDP has requested an additional extension of sixty 60 days as their original extension of 90 days to facilitate review by their agency was not sufficient time for a review. It is anticipated that signatures will be completed during the next quarter.
- Work has begun on the renewals for the Acute Care contracts. OMC has prepared their initial draft and submitted it to Executive Management. DBF-Contracts has reviewed this draft and made note of necessary changes to update the contract terms.
- An intergovernmental agreement has been created to allow the Arizona Department of Corrections (ADOC) to pay the state share of inpatient medical expenses for Medicaid eligible persons in the prison system.

## **Policy/Training Unit**

On April 30, we conducted training for Indian Health Services representatives, covering how to read the remits and how to view claims status on-line.

Approximately 50% of the Provider Manual was updated during the quarter. The plan is to do an annual update in the future, since the current three year interval is not easily managed.

## **Provider Registration Unit**

A new reference guide was created to have most frequently used information at staff's fingertips.

## **Claims Operations Units**

A web-based pilot program was developed to be implemented July 1, 2002 to give providers access to claims status data on-line. The program also gives providers access to eligibility information at no cost to the provider. Expectation is high for the success of this program.

Claims were processed at the rate of 99.03% in 30 days or less for the past quarter.

In April, 65.94% of claims were submitted electronically; in May it was 62.3% and in June, it was 74.44%. The Medicaid in Public Schools Program contributes greatly to the increase in electronically submitted claims, and requires considerable oversight by the Claims Receipts Manager.

DBF purchased an upgrade to the imaging system for claims to run on a more current version. The imaging system will work in conjunction with the high-speed scanner acquired last year to improve efficiencies and add capabilities.

We have been working this past quarter on a program with the ADOC to process and pay their inmates' inpatient claims.

The Medicare Outpatient Prospective Payment System has caused billing changes to be made by hospitals. Medicare is requiring more line items to be identified, although they pay a set rate to the hospitals.

## **Division of Information Systems**

### **Health Insurance Portability and Accountability Act (HIPAA)**

The "GAP" Analysis has been separated into two parts: transactions and code sets, and security and privacy. The transaction and code set analysis is complete except for some of the mapping for encounters, which are expected by the end of July 2002. The remediation plan has been completed.

All of the major deliverables have been defined. Since we have less than one (1) year to comply with the HIPAA Privacy Regulations we plan remediation as "gaps" are identified in this area, working concurrently with the assessment activities.

### **Hawaii/Arizona PMMIS Alliance (HAPA) Project**

The technical team in Arizona initiated coding and unit testing efforts according the agreed upon design to support Hawaii Fee-For-Service claims functions. System coding and Unit testing is scheduled to conclude mid-July. Preparation for System/Integration Testing, User Acceptance Testing and User Training was also initiated during this quarter. The system on schedule to be fully implemented by April 2003.